

Message Text

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EO 11652: GDS

TAGS: EAGR, PINT, BL

SUBJECT: GOB PL 480 TITLE III REQUEST

1. I UNDERSTAND THAT ON MARCH 10 THERE WAS A PRE-ISC MEETING ON THE SUBJECT OF THE PL-480 TITLE III PROGRAM FOR BOLIVIA. EVIDENTLY THE MOST DISCUSSED ISSUE WAS, WHY NOT A TITLE I PROGRAM NOW AND A TITLE III SOME TIME LATER. AS I UNDERSTAND IT, THE RECENT EMBASSY ECONOMIC REPORTING CABLES WERE USED AS THE BASIS FOR SAYING THAT BOLIVIA'S CURRENT ECONOMIC AND FINANCIAL POSITION AND PROSPECTS FOR THE FUTURE ARE SUFFICIENTLY UNPROMISING THAT WE SHOULD PROVIDE BUDGET SUPPORT VIA TITLE I INSTEAD OF ECONOMIC DEVELOPMENT SUPPORT VIA TITLE III. I TOTALLY DISAGREE WITH THIS LINE OF REASONING.

2. OUR RECOMMENDATION FOR A TITLE III PROGRAM WAS CAREFULLY CONSIDERED AND MADE BECAUSE ONLY A TITLE III PROGRAM MEETS THE OBJECTIVES WE HAVE IN BOLIVIA.

A. WE WANT A DEVELOPMENT PROGRAM WILL EXTEND BOLIVIA'S COMMITMENT TO INVESTMENT IN SPECIFIC PROJECTS FOR THE RURAL POOR--NOT BUDGET SUPPORT. (THERE MAY BE ELEMENTS IN THE GOB WHO WOULD PREFER BUDGET SUPPORT A LA THE OLD DAYS IN BOLIVIA, BUT THIS IS NOT WHAT WE HAVE OFFERED TO CONSIDER AND NOT WHAT THE GOB IS NOW ASKING FOR IN A PL-480 PROGRAM.) WITH THE APPROVAL OF A TITLE III PROGRAM
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NOW, WE WOULD HAVE AN UNUSUAL OPPORTUNITY TO INFLUENCE THE NEW GOVERNMENT TAKING OVER IN AUGUST TO MAKE AN EARLY AND SIGNIFICANT COMMITMENT TO DEVELOPMENT EMPHASIS ON THE RURAL POOR. THE PROGRAM WILL INDEED BE SET WHEN THEY ARRIVE BUT WE CAN ENGAGE THE NEW GOVERNMENT'S EXPLICIT COMMITMENT ONCE THEY ARE IN POWER BY AN AMENDMENT TO THE INITIAL FY 78 TITLE III AGREEMENT. APPROVING A TITLE I PROGRAM NOW DOES

NOT GIVE US THIS OPPORTUNITY TO INFLUENCE DEVELOPMENT TRENDS IN THE FUTURE. THE CURRENT GOB WOULD UNDOUBTEDLY BE MOST HAPPY TO RECEIVE SOME BUDGET SUPPORT AND IT WOULD CLEARLY BE AN EASIER WAY OUT FOR US TO POSTPONE A TITLE III DECISION. IT WOULD NOT, HOWEVER, BE IN THE BEST INTEREST OF THE SIGNIFICANT DEVELOPMENT EFFORT THE USG IS CURRENTLY SUPPORTING IN BOLIVIA SINCE THE TITLE III PROGRAM WE PROPOSED IS COMPLEMENTARY AND SUPPORTIVE OF OUR ONGOING PROGRAMS.

B. TO MEET OUR POLITICAL OBJECTIVES HERE AND HELP MOVE THE CURRENT GOB SAFELY THROUGH THE DEMOCRATIZATION PROCESS WHILE DEMONSTRATING TO THE NEWLY ELECTED GOVERNMENT THAT WE ARE CLEARLY BEHIND THEM, WE NEED A DRAMATIC DEMONSTRATION SUCH AS A LARGE, MULTI-YEAR TITLE III PROGRAM, RATHER THAN A SERIES OF TITLE I PROGRAMS (WHICH WILL LOOK MORE LIKE SMALL INCREMENTS OF BUSINESS AS USUAL).

C. AS OUR RECENT ECONOMIC REPORTING HAS INDICATED, THERE ARE PROBLEMS AND MATTERS MAY WELL GET WORSE BEFORE THEY GET BETTER. WE DO NOT MEAN TO SAY THAT THE SITUATION IS CRITICAL. THE GOB IS GOING TO HAVE TO LIVE WITH A VERY TIGHT BUDGET THIS YEAR. THIS DOES NOT MEAN THEY WILL HAVE TO STOP THEIR DEVELOPMENT EFFORT. WE ARE CURRENTLY ANALYZING THEIR BUDGET JUST RELEASED TO US TODAY TO ASSURE THAT REQUIRED COUNTERPART FUNDING TO OUR ACTIVITIES IS

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INCLUDED. WE SHOULD KEEP THE GOB'S FEET TO FIRE ON THE COUNTERPART REQUIREMENTS FOR DEVELOPMENT PROGRAMS, AND NOT LET THEM OR US REVERT TO THE PERHAPS EASIER, BUT COUNTER-PRODUCTIVE, PATTERN OF BUDGET SUPPORT.

D. THE PROGRAM WE HAVE PROPOSED WILL REQUIRE THE ARGENTINE'S TOLERANCE OF OUR EXCEEDING UMR-INDICATED LEVELS OF PL-480, AT LEAST IN FY 79. TO HELP ON THE BALANCE OF PAYMENTS SIDE, THE 200,000 TON FY 79 LEVEL IS IMPORTANT. WE CAN EXPECT TO GET THE ARGENTINE'S COOPERATION WITH REGARD TO A GRANT PROGRAM, BUT PROBABLY NOT A CREDIT SALE.

E. THE TITLE III TERMS ARE MORE APPROPRIATE TO A POOR COUNTRY LIKE BOLIVIA THAN ARE THOSE OF TITLE I.

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